



U.S. Department of Justice

Criminal Division

DEC 10 11 11 '98

Washington, D.C. 20530

DEC 10 1998

By Hand

Mr. Lawrence R. Noble
General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

Pre-MUR 374

Dear Mr. Noble:

Re: Beaulieu of America, Inc.

We are forwarding herewith one check for \$200,000 that has been tendered by the institutional offender in the captioned Federal Election Campaign Act (FECA) criminal case. This check represents the amount that this offender has offered to pay to the Commission in the hope of achieving a simultaneous "global" disposition of both the criminal and the noncriminal features of its FECA offenses. We also are forwarding herewith copies of the plea agreement and other pertinent documents concerning this criminal case.

During our criminal investigation, we kept your office informed of the circumstances of this case and of the defendant's desire to reach a global settlement of both its criminal and noncriminal FECA liability, albeit in hypothetical terms. We have also informed this defendant that the Department of Justice lacks authority to speak for the Commission in assessing noncriminal remedies under 2 U.S.C. § 437g(a). Thus, the plea agreement we negotiated in this case addresses the possibility that the Commission may decide not to accept the proposed noncriminal fine.

This case involves the following facts:

Beaulieu of America, Inc. is a Georgia corporation engaged in the manufacture of carpeting. On December 1, 1998, it pleaded guilty in Federal District Court for the Northern District of Georgia, Rome Division, to five counts of making corporate contributions aggregating approximately \$36,000 through conduits to the 1996 presidential campaign of Lamar Alexander, in violation of 2 U.S.C. § 441b, § 441f and § 437g(d) of the

Federal Election Campaign Act. This guilty plea was entered pursuant to a plea agreement negotiated by this Department under the terms of Rule 11(e)(1)(C), F.R.Cr.P., which required that the corporate defendant to pay a stipulated criminal fine of \$1,000,000, that it be placed on probation for a period of two years during which it will implement a corporate compliance program to prevent future FECA violations, and that its principal officers will serve a total of 500 hours of community service as part of the Corporation's probation. The Court accepted the plea agreement and sentenced the defendant on December 1, 1998. All criminal fines and assessments were paid immediately after sentence was imposed.

Beaulieu of America, Inc., also agreed to tender an additional \$200,000 to the Federal Election Commission to satisfy its noncriminal liability for the FECA violations at issue, which the Commission is free to either accept or reject. While we do not have the authority to speak for the Commission and we have not done so here, as reflected in the plea agreement we believe that the \$200,000 administrative fine tendered by this FECA offender is reasonable and fair in terms of the facts of the case. Should the Commission disagree, we respectfully request that it return the check to us so that we may return it to Beaulieu of America, Inc. in accordance with the plea agreement.

Please let me know if we can assist you further in these matters.

Sincerely,



Craig E. Donsanto
Director, Election Crimes Branch
Public Integrity Section

Enclosure

cc: David Nahmias
Assistant United States Attorney, Atlanta

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ROME DIVISION

UNITED STATES OF AMERICA :
 : CRIMINAL INFORMATION
 v. :
 : NO. 4:98-CR-50
 BEAULIEU OF AMERICA, INC. :

THE UNITED STATES ATTORNEY CHARGES THAT:

INTRODUCTION

At all time relevant to this Information:

1. Defendant Beaulieu of America, Inc., was a corporation organized under the laws of the State of Georgia and engaged, directly and through subsidiaries and related companies, in businesses related to the manufacture and sale of carpets and rugs.

2. The Federal Election Campaign Act ("FECA"), and specifically Title 2, United States Code, Section 441b thereof, prohibited corporations from making or consenting to any direct or indirect contribution to any political committee supporting a candidate for federal office.

3. The FECA, and specifically Title 2, United States Code, Section 441f thereof, prohibited making a contribution in the name of another person to any political committee supporting a candidate for federal office. Under the FECA, any contribution that was funneled through an intermediary, nominee, or conduit was considered a contribution from the person or entity providing or reimbursing the money to the intermediary, nominee, or conduit.

4. The Federal Election Commission ("FEC") was an agency of

the United States established by the FECA and responsible for making available to the public specific information about the amounts and sources of contributions to federal candidates.

5. Lamar Alexander was a candidate for President of the United States in the 1996 federal election cycle. Alexander for President, Inc. ("the Alexander Committee") was the principal political committee authorized to support his candidacy for nomination and election as President. As such, the Alexander Committee was subject to the reporting provisions and campaign financing limitations of the FECA.

6. On March 8, 1995, the Alexander Committee held a \$1000 per person fundraising dinner in Dalton, Georgia. Carl M. Bouckaert, the Chief Executive Officer ("CEO") of defendant BEAULIEU OF AMERICA, INC., was a National Finance Co-Chair of the Alexander Committee and one of the co-chairs of the dinner. Numerous officers and employees of the defendant and their spouses wrote personal checks to the Alexander Committee to pay for tickets to the fundraising dinner.

7. The violations of the FECA more specifically described below involved the making, receiving, and reporting of contributions aggregating \$2,000 and more during calendar year 1995.

COUNT ONE

1. The allegations contained in paragraphs 1 through 7 of the Introduction to this Information are realleged and incorporated

by reference as though fully set forth here.

2. Beginning in or about March of 1995 and continuing until in or about January of 1996, in the Northern District of Georgia, the defendant, BEAULIEU OF AMERICA, INC., did knowingly and willfully make and consent to contributions in violation of the prohibition against corporate contributions contained in the Federal Election Campaign Act, in that the defendant knowingly and willfully made and consented to conduit contributions of at least \$36,000 to Alexander for President, Inc. by causing various employees and their family members to make contributions using personal funds and then reimbursing those employees with corporate funds disguised as "bonuses" or "expense reimbursements."

All in violation of Title 2, United States Code, Sections 441b(a) and 437g(d), and Title 18, United States Code, Section 2.

COUNT TWO

1. The allegations contained in paragraphs 1 through 7 of the Introduction to this Information are realleged and incorporated by reference as though fully set forth here.

2. On or about the dates listed below, in the Northern District of Georgia, the defendant, BEAULIEU OF AMERICA, INC., did knowingly and willfully make and cause to be made contributions in violation of the prohibition against disguised contributions made through conduits contained in the Federal Election Campaign Act, in that the defendant knowingly and willfully made and caused to be made the contributions described below to Alexander for President,

Inc. in the names of individuals rather than in the name of the true source of the contributions, which was the defendant corporation:

<u>Date</u>	<u>Amount</u>
3/9/95	\$1000
3/9/95	\$1000
3/9/95	\$1000
3/9/95	\$2000
3/9/95	\$1000
3/9/95	\$1000
3/17/95	\$2000.

All in violation of Title 2, United States Code, Sections 441f and 437g(d) and Title 18, United States Code, Section 2.

COUNT THREE

1. The allegations contained in paragraphs 1 through 7 of the Introduction to this Information are realleged and incorporated by reference as though fully set forth here.

2. On or about the dates listed below, in the Northern District of Georgia, the defendant, BEAULIEU OF AMERICA, INC., did knowingly and willfully make and cause to be made contributions in violation of the prohibition against disguised contributions made through conduits contained in the Federal Election Campaign Act, in that the defendant knowingly and willfully made and caused to be made the contributions described below to Alexander for President, Inc. in the names of individuals rather than in the name of the

true source of the contributions, which was the defendant corporation:

<u>Date</u>	<u>Amount</u>
3/14/95	\$2000
3/14/95	\$2000
3/14/95	\$2000
3/1/95	\$2000.

All in violation of Title 2, United States Code, Sections 441f and 437g(d) and Title 18, United States Code, Section 2.

COUNT FOUR

1. The allegations contained in paragraphs 1 through 7 of the Introduction to this Information are realleged and incorporated by reference as though fully set forth here.

2. On or about the dates listed below, in the Northern District of Georgia, the defendant, BEAULIEU OF AMERICA, INC., did knowingly and willfully make and cause to be made contributions in violation of the prohibition against disguised contributions made through conduits contained in the Federal Election Campaign Act, in that the defendant knowingly and willfully made and caused to be made the contributions described below to Alexander for President, Inc. in the names of individuals rather than in the name of the true source of the contributions, which was the defendant corporation:

<u>Date</u>	<u>Amount</u>
3/14/95	\$2000
3/14/95	\$2000
3/14/95	\$2000
3/14/95	\$2000
3/21/95	\$1000.

All in violation of Title 2, United States Code, Sections 441f and 437g(d) and Title 18, United States Code, Section 2.

COUNT FIVE

1. The allegations contained in paragraphs 1 through 7 of the Introduction to this Information are realleged and incorporated by reference as though fully set forth here.

2. On or about the dates listed below, in the Northern District of Georgia, the defendant, BEAULIEU OF AMERICA, INC., did knowingly and willfully make and cause to be made contributions in violation of the prohibition against disguised contributions made through conduits contained in the Federal Election Campaign Act, in that the defendant knowingly and willfully made and caused to be made the contributions described below to Alexander for President, Inc. in the names of individuals rather than in the name of the true source of the contributions, which was the defendant corporation:

<u>Date</u>	<u>Amount</u>
3/9/95	\$2000
3/9/95	\$2000
3/9/95	\$2000
3/9/95	\$2000
3/9/95	\$2000.

All in violation of Title 2, United States Code, Sections 441f and 437g(d) and Title 18, United States Code, Section 2.

RICHARD H. DEANE, JR.
UNITED STATES ATTORNEY



RANDY S. CHARTASH
ASSISTANT UNITED STATES ATTORNEY
Georgia Bar No. 121760



DAVID E. NAHMIAS
ASSISTANT UNITED STATES ATTORNEY
Georgia Bar No. 534106

1800 United States Courthouse
75 Spring Street, S.W.
Atlanta, Georgia 30335
404/581-6000

GUILTY PLEA and PLEA AGREEMENT

United States Attorney
Northern District of Georgia

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ROME DIVISION

CRIMINAL NO. 4:98-CR- 50 (HLM)

BEAULIEU OF AMERICA, INC., defendant, appearing through its designated representative, having received a copy of the above-numbered CRIMINAL INFORMATION, hereby pleads GUILTY to Count(s) ONE THROUGH FIVE thereof. The defendant, its counsel, and counsel for the United States ("the government"), subject to approval by the Court, have agreed upon a binding negotiated plea in this case, the terms of which are as follows:

1. The defendant admits that it is guilty as charged in the Information and hereby waives any and all objections based upon the form of the Information or the statute of limitations.
2. The defendant stipulates and agrees to the following factual basis for its plea of guilty: Beginning in or about March of 1995 and continuing until in or about January of 1996, in Dalton, Georgia, and elsewhere, the defendant, a Georgia corporation, knowingly and willfully violated laws of the United States related to campaign financing as set forth in the Federal Election Campaign Act ("FECA"). On March 8, 1995, a fundraising dinner, co-chaired by the Chief Executive Officer ("CEO") of the defendant corporation, was held in Dalton, Georgia, for Lamar Alexander, a candidate for President of the United States in the 1996 elections. At the direction of corporate officers, at least 36 employees and employee spouses made contributions of \$1000 each to the Alexander for President Committee to purchase tickets to the dinner. After the contributions were made, the defendant reimbursed the employees using corporate funds, disguising the reimbursements as "bonuses" or "expense reimbursements." As a result of the defendant's conduct, the Alexander for President Committee unwittingly and incorrectly reported as individual contributions what were in fact at least \$36,000 in corporate contributions funneled through conduits. The defendant further admits that it committed the specific violations of the FECA set forth in Counts One through Five of the Information.

3. To demonstrate acceptance of responsibility for its criminal conduct, the defendant agrees that its officers will perform 500 hours of community service approved by the United States Probation Office or the Court, including at least 200 hours performed by the defendant's CEO, Carl M. Bouckaert. Mr. Bouckaert will also appear at sentencing in order to signify that the defendant has clearly demonstrated recognition and affirmative acceptance of responsibility.

4. The United States Department of Justice agrees not to prosecute the defendant or any of its current or former subsidiaries, directors, officers, employees, or agents, including their predecessors, successors, and assigns, for any additional federal criminal violations relating to campaign financing that are based upon evidence known to the government as of the date of this plea agreement. The defendant understands and agrees, however, that nothing in this plea agreement shall limit the Internal Revenue Service in its collection of any taxes, interest, and penalties which may be owed by the defendant or any other individual or entity. The defendant further understands and agrees that this plea agreement cannot and does not bind State and local prosecuting authorities in any way.

5. The defendant understands and agrees that the maximum penalty that the Court may impose for each of the five counts to which the defendant is pleading guilty is probation for a term of five years, a fine of \$200,000, and a special assessment of \$125. The defendant agrees not to oppose the government's position, pursuant to Section 2X5.1 of the Sentencing Guidelines, that no guideline has been expressly promulgated for the offenses to which the defendant is pleading guilty and that there is no sufficiently analogous guideline to apply to this case, so that the provisions of 18 U.S.C. § 3553(b) control the sentence in this case.

6. Pursuant to Rule 11(e)(1)(C) of the Federal Rules of Criminal Procedure, the parties agree that the following specific sentence is the appropriate disposition of this case:

(A) The Court shall impose the statutory maximum aggregate fine of \$1,000,000 on Counts One through Five of the Information. The defendant shall pay the fine to the United States District Court Clerk by certified check on the date of sentencing. The parties agree that no restitution is appropriate.

(B) On the date of sentencing, the defendant shall pay a special assessment in the amount of \$625 by certified check made payable to the United States District Court Clerk.

(C) The Court shall impose a sentence of probation to expire on December 31, 2000, subject to the standard condition that the defendant not commit another federal, state, or local crime during the period of probation and the following special conditions:

(i) The defendant shall promptly adopt and implement the political fundraising compliance program described in the attached Resolution of the defendant's Board of Directors and shall take all reasonable measures to ensure that the defendant and its subsidiaries, directors, officers, employees, and agents are in full compliance with the program.

(ii) The defendant shall submit quarterly reports to the Court regarding the operation of the compliance program, which shall include full disclosure of any alleged violations of campaign financing laws and all steps taken to investigate and remedy such violations. The Court may direct the defendant to submit to examination of its records and interrogation of knowledgeable individuals within its organization regarding these matters.

(D) Upon a finding that the defendant has violated a condition of probation, the Court may extend the term of probation or impose more restrictive conditions.

7. The parties agree, pursuant to Rule 32(b)(1)(A) of the Federal Rules of Criminal Procedure, that a presentence investigation and report is not required in this case and that the Court may impose the agreed-upon sentence at the time the guilty plea is entered and this plea agreement is accepted.

8. Pursuant to Rule 11(e)(1)(3) of the Federal Rules of Criminal Procedure, should the Court not accept this plea agreement, the defendant reserves the right to withdraw its plea of guilty.

9. The defendant admits that its conduct knowingly and willfully violated the FECA, and specifically 2 U.S.C. § 441b(a) and 441f, as set forth in the Information and in paragraph 2 above. The defendant further acknowledges that the Federal Election Commission ("FEC") has exclusive authority to seek civil remedies against it for those violations, pursuant to 2 U.S.C. § 437g(a)(5). The defendant agrees to submit to the FEC's jurisdiction, to cooperate with the FEC in compliance proceedings against it, including waiving FEC notification procedures to which it may be entitled and any statute of limitations which may be applicable to FEC compliance proceedings, and to enter into a conciliation agreement and pay whatever civil penalty the FEC deems appropriate pursuant to 2 U.S.C. § 437g(a)(5).

10. The United States Department of Justice and the defendant have agreed that a

penalty of \$200,000 would be an appropriate civil disposition of this matter before the FEC in view of the charged conduct and the terms of this plea agreement. However, the defendant has been advised and understands that this part of the plea agreement is not binding on the FEC.

11. The defendant agrees to tender a check made payable to the FEC in the amount of \$200,000 at the time this plea agreement is accepted by the Court. The Department of Justice agrees thereafter to forward the defendant's check to the FEC along with a copy of this plea agreement and the Department's recommendation that the tendered sum be accepted by the FEC as a suitable disposition of the defendant's civil liability under 2 U.S.C. § 437g(a)(5).

12. In the event that the FEC should accept the tendered amount as an appropriate noncriminal remedy for the FECA violations admitted in this plea agreement, and after a conciliation agreement has been entered into by the defendant with the FEC and the tendered check has been accepted by the FEC, no further criminal or administrative proceedings (other than those associated with the implementation of this plea agreement) will be undertaken against the defendant by the Department of Justice or the FEC for the FECA violations admitted in this plea agreement.

13. However, in the event that the FEC should refuse to accept the tendered amount as an appropriate noncriminal remedy for the FECA violations admitted in this plea agreement, the check will be returned to the defendant and the issue of the amount of the appropriate noncriminal remedy will be determined exclusively by the FEC through the conciliation process described in 2 U.S.C. § 437g(a)(5).

14. Should the defendant fail to perform the community service specified in paragraph 3 above, fail to pay the fine and special assessment specified in paragraph 6(A) and 6(B), or fail to promptly adopt and implement and to submit reports on the political fundraising compliance program as specified in paragraph 6(C), the government would be released from its commitment to honor all of its obligations to the defendant, and the United States would not be prohibited from prosecuting the defendant and any of the entities and individuals described in paragraph 4 above for any and all crimes. The defendant hereby agrees to waive any statute of limitations and speedy trial defenses on such charges against it, except insofar as such a defense could be asserted as of

the date of this plea agreement.

15. WAIVER OF APPEAL: Understanding that 18 U.S.C. § 3742 provides for appeal by a defendant of its sentence under certain circumstances, the defendant expressly waives any and all rights conferred by 18 U.S.C. § 3742 to appeal the sentence imposed pursuant to this plea agreement. To the maximum extent permitted by federal law, the defendant further expressly waives the right to appeal its sentence on any other ground and waives the right to attack its sentence in any post-conviction proceeding. Finally, the parties agree that nothing in this plea agreement shall affect the government's right and/or duty to appeal as set forth in 18 U.S.C. § 3742(b); however, if the government does appeal the defendant's sentence, the defendant shall be released from its appeal waiver.

16. The execution of this plea agreement has been expressly authorized by the defendant's Board of Directors, and a copy of such resolution is attached hereto. The defendant represents and warrants that no approval or authorization by any other person or entity is required for the plea agreement to be binding upon it.

17. There are no other agreements, promises, understandings, or undertakings between the defendant and the government.

/

/

/

/

/

/

/

/

/

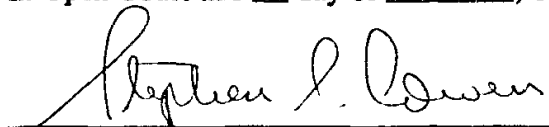
/

/

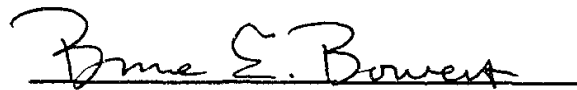
/

/

In Open Court this 1st day of December, 1998.



STEPHEN S. COWEN
Attorney for Defendant



BEAULIEU OF AMERICA, INC.
Defendant
By: Bruce E. Bowers, General Counsel



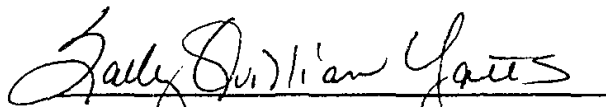
C. MICHAEL ABBOTT
Attorney for Defendant



RANDY S. CHARTASH
Assistant U.S. Attorney
Northern District of Georgia

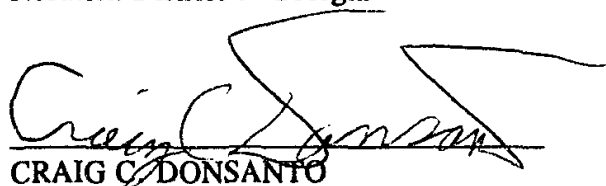


DAVID E. NAHMIAS
Assistant U.S. Attorney
Northern District of Georgia



SALLY QUILLIAN YATES
Assistant U.S. Attorney (Approving Official)
Northern District of Georgia

11/30/98
DATE



CRAIG C. DONSANTO
Director, Election Crimes Branch
Public Integrity Section
U.S. Department of Justice

11-25-98
DATE

INFORMATION BELOW MUST BE TYPED OR PRINTED

STEPHEN S. COWEN
NAME (Attorney for Defendant)

BEAULIEU OF AMERICA, INC.
NAME (Defendant)

King & Spalding
191 Peachtree Street
STREET

STREET

Atlanta, Georgia 30303-1763
CITY & STATE ZIP CODE

CITY & STATE ZIP CODE

PHONE NUMBER 404/572-4688

PHONE NUMBER _____

STATE BAR OF GEORGIA NUMBER _____

Filed in Open Court

By _____

BEAULIEU OF AMERICA, INC.

* * *

CONSENT OF DIRECTORS IN LIEU OF
AN ANNUAL MEETING OF THE BOARD OF DIRECTORS

Pursuant to Section 14-2-821 of the Georgia Business Corporation Code, the undersigned, being all of the Directors of Beaulieu of America, Inc. (the "Corporation"), by execution hereof, do hereby (i) unanimously consent to and adopt the following resolutions, which resolutions shall have the same force and effect as if adopted by the unanimous affirmative vote at a special meeting of the Board of Directors of the Corporation duly called and held, (ii) waive all requirements of notice and (iii) direct that this written Consent be filed with the minutes of the proceedings of the Corporation:

WHEREAS, the Board of Directors has reviewed and considered the proposed Criminal Information entitled United States of America v. Beaulieu of America, Inc., and the accompanying proposed Plea Agreement between the United States and the Corporation in the form presented to the Directors (the "Plea Agreement") and has determined that it is in the best interests of the Corporation to enter into such agreement and to waive its various rights as specified in the Plea Agreement; and


WHEREAS, the Board of Directors has considered that the Corporation is entitled to request that the sentencing Court direct the United States Probation Office to prepare a presentence investigation and report prior to sentencing, and has determined that it is in the best interests of the Company for the Court to proceed directly to sentencing;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes, approves, ratifies, and confirms the Plea Agreement and authorizes each duly elected officer of the Corporation (acting alone) to execute and deliver said Plea Agreement, to enter a plea of guilty to the Criminal Information, to cause to be made the payments specified in the Plea Agreement and any other sums that the Court may order, and to waive certain of its rights as specified in the Plea Agreement, including any right to preparation of a presentence investigation and report; and

FURTHER RESOLVED, that the officers of the Corporation be, and each of them, acting alone, hereby is authorized, empowered and directed to do and perform any and all acts (including the execution and delivery of documents, instruments and papers and the payment of sums to the United States or any agency or instrumentality thereof) as they may deem necessary to appropriate to carry out and implement the intent and purposes of the preceding resolutions.

WITNESS the consent of the Directors of the Corporation on the date indicated, the last of which shall be the effective date hereof.

Date: 30 Nov, 1998


Carl M. Bouckaert, Director

Date: 30 Nov, 1998


Marie T. Bouckaert, Director

ACTION BY UNANIMOUS CONSENT OF
THE MANAGERS OF
BEAULIEU GROUP, LLC

Pursuant to Section 14-1-309 of the Georgia Limited Liability Company Act, the undersigned, being all of the Managers of Beaulieu Group, LLC, a Georgia Limited Liability Company (the "Company"), by execution hereof, do hereby (i) unanimously consent to and adopt the following resolutions, which resolutions shall have the same force and effect as if adopted by unanimous affirmative vote at a meeting of the Managers of the Company duly called and held, (ii) waive all requirements of notice and (iii) direct that this written Action by Unanimous Consent be filed with the minutes of the proceedings of the Company:

WHEREAS, Beaulieu of America, Inc. ("BAI") is a member of the Company and owns approximately 75% of the membership interests of the Company; and

WHEREAS, the Directors of BAI have reviewed and considered the proposed Criminal Information entitled United States of America v. Beaulieu of America, Inc. and the accompanying proposed Plea Agreement between the United States and Beaulieu of America, Inc. (the "Plea Agreement") and have approved the Plea Agreement; and

WHEREAS, the Company is the transferee of all of the operational and manufacturing assets of BAI and has assumed BAI's liabilities, and therefore, it is appropriate and in the best interests of the Company to use its best efforts to ensure compliance in full with the Plea Agreement;


NOW, THEREFORE, BE IT RESOLVED, that the Managers of the Company hereby authorize, approve, ratify and confirm the Plea Agreement; and

FURTHER RESOLVED, that the Officers of the Company, be, and each hereby is, authorized, empowered and directed to do and perform any and all acts (including the execution and delivery of documents, instruments and papers and the payment of sums to the United States or any agency or instrumentality thereof) as they may deem necessary or appropriate to carry out and implement the intents and purposes of the preceding resolutions.

WITNESS the consent of the Managers of the Company on the date indicated, the last of which shall be the effective date hereof.

MANAGERS.

Date: 24 Nov, 1998



Carl M. Bouckaert, Manager

Date: 30 Nov, 1998



Marie T. Bouckaert, Manager

CORPORATE COMPLIANCE PROGRAM

FOR

**BEAULIEU GROUP, LLC
BEAULIEU OF AMERICA, INC.
CORONET INDUSTRIES, INC.**

October 23, 1998

00.04.202.0204

CORPORATE COMPLIANCE PROGRAM

FOR

**BEAULIEU GROUP, LLC
BEAULIEU OF AMERICA, INC.
CORONET INDUSTRIES, INC.**

A. Standards of Conduct and Corporate Compliance Handbook

B. Corporate Compliance Program Policies and Procedures

C. Corporate Compliance Program Implementation Instructions

D. Employee Certification

**STANDARDS OF CONDUCT
AND
COMPLIANCE
HANDBOOK
FOR**

**BEAULIEU GROUP, LLC
BEAULIEU OF AMERICA, INC.
CORONET INDUSTRIES, INC.**

Compliance Officer

Trammell Maddox (706-275-4451, ext. 3404)

Corporate Compliance Helpline

1-800-xxx-xxxx

General Counsel

Bruce Bowers (706-272-7303)

STANDARDS OF CONDUCT AND COMPLIANCE HANDBOOK

INTRODUCTION

This Compliance program is for all Beaulieu related employees, including employees of Beaulieu Group, LLC, Beaulieu of America, Inc., and Coronet Industries, Inc. To reaffirm that Beaulieu employees will continue to conduct business ethically and legally, we are adopting a written set of standards. These standards apply to all our operations and employees.

This Handbook sets forth the manner in which each Beaulieu employee must act in fulfilling his or her responsibilities. Beaulieu's ability to maintain its leadership position in the carpet industry depends on the commitment of all of its employees to the principles set forth in this Handbook. It is important that each employee read this manual and fully understand it. Beaulieu employees should regularly review these principles and incorporate them into their daily behavior. Conduct in violation of these standards is beyond the scope of an employee's job and may lead to serious sanctions for the employee, including termination.

Some of the discussion in this handbook concerns U.S. laws. For Beaulieu employees operating outside the United States, you should become familiar with and adhere to the laws in your host country as well as U.S. laws.

Any employee who observes conduct in violation of the Handbook's rules and principles should report it immediately to Company management directly or call the Company's toll-free Corporate Compliance Helpline, 1-800-____-____. Any employee who is asked to do something that he or she considers unethical or illegal should likewise report the request immediately, either directly to the Company or by calling the Corporate Compliance Helpline. All calls to the Corporate Compliance Helpline will be treated confidentially.

Trammell Maddox has been designated the Beaulieu Compliance Officer (tel.: 706-275-4451, ext. 3404). He is responsible for implementing and administering the Compliance Program outlined in the Handbook.

This Handbook cannot, of course, cover every situation you may encounter as a Beaulieu employee. Sometimes more detailed Company policies and rules will provide guidance on particular issues. In any event, if the proper course of action is unclear, you should seek the guidance of your supervisor, the Beaulieu Compliance Officer, the Human Resources Department, or the Company's General Counsel.

The continued success of Beaulieu depends on your integrity and good judgment. As a Beaulieu employee, no responsibility is more important than adhering attentively and faithfully to the principles outlined in this Handbook.

Carl M. Bouckaert, Chief Executive Officer

Stuart W. Thorn, President and Chief Operating Officer

COMPLIANCE HANDBOOK
TABLE OF CONTENTS

	<u>Page</u>
RECORDING AND REPORTING INFORMATION	1
RULES GOVERNING POLITICAL ACTIVITY	3
A. USE OF CORPORATE FUNDS	3
General Policy	3
Contributions to Federal Candidates and Committees	3
Communications	5
Other Uses of Corporate Funds	8
Resources and Facilities	8
Contributions to Non-Federal Candidates and Committees	10
B. PERSONAL POLITICAL ACTIVITY BY INDIVIDUAL EMPLOYEES	11
Individual Contributions	11
Volunteer Activities	12
C. ISSUE ADVOCACY	12
GIFTS, ENTERTAINMENT, AND GRATUITIES	14
Receiving Gifts, Entertainment, and Gratuities	14
Providing Gifts, Entertainment, and Gratuities	14
Relationships With Governmental Employees	14
Business Relations Outside the United States	15
METHODS OF COMPETITION	16
Relations with Competitors	16
Relations with Customers and Suppliers	17
Professional and Trade Associations	18

MARKETING, ADVERTISING, AND SALES	19
INTERNATIONAL SALES	20
CONFLICTS OF INTEREST	21
INTELLECTUAL PROPERTY AND CONFIDENTIALITY	22
Intellectual Property Rights	22
Confidential Information	22
Communications	23
WORKER SAFETY	24
ENVIRONMENTAL SAFETY	25
HELPLINE	26
LIST OF PHONE NUMBERS	27

RECORDING AND REPORTING INFORMATION

Beaulieu maintains corporate books and records in order to document the Company's business operations. These records should be complete and accurate.

Beaulieu's financial statements and the books and records on which they are based should be maintained in accordance with the Company's established accounting policies. No undisclosed or unrecorded corporate funds may be established, nor should Company funds be diverted into any personal or non-corporate account. All corporate assets must be properly protected. Asset records must be regularly compared with actual assets, and proper and prompt action must be taken to reconcile any variances.

Beaulieu employees should not engage in any arrangement that results in false, artificial, or misleading entries in any of the Company's records. All Beaulieu employees must exercise sufficient care to ensure that all data is promptly and accurately recorded and properly documented.

In the ordinary course of its business, Beaulieu frequently must supply information to federal, state, and local government agencies and officials as well as to other organizations. All information reported to individuals and organizations outside the Company, including government entities, should correctly reflect the Company's business. It is the policy of the Company to be accurate in all such submissions and statements. Inaccurate submissions may subject the Company and the reporting employees to serious civil and criminal sanctions.

Beaulieu employees should sign only those reports and documents that are truthful and accurate. Any employee who knowingly causes information to be falsely reported, through lack of proper diligence or otherwise, or who knowingly allows another individual to report false information, will be subject to disciplinary action, up to and including discharge.

When litigation, an audit, or an investigation by a government or other competent authority is pending or reasonably foreseeable, relevant records must not be destroyed until the matter is closed.

If a Beaulieu employee has concerns about the Company's recording or reporting of information, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800-__ - __). Calls to the Helpline will be treated confidentially.

RULES GOVERNING POLITICAL ACTIVITY

A. USE OF CORPORATE FUNDS

Beaulieu will observe all federal, state, and local laws governing corporate political activity.

GENERAL POLICY

It is the policy of Beaulieu to comply fully with all applicable federal, state, and local laws regulating corporate political participation.

Because corporate political activity has become a highly regulated area covered by civil and criminal statutes, under no circumstances may Beaulieu funds be used to reimburse employees for their personal political contributions. Personal compensation of employees may not be altered in any way to reflect political contributions. No employee shall be favored or prejudiced in any condition of employment as a result of making or failing to make any such contributions, and Beaulieu shall not pay any employee for performing services for a political organization, candidate, or public official.

Because of the complexity of political laws governing corporate political activity, Beaulieu employees should consult with the Company's General Counsel before agreeing to do anything that could be viewed as involving Beaulieu in any political activity at the federal, state, or local level. When speaking out on political issues, Beaulieu employees should always make clear that the views expressed are their own personal views and not the views of the Company.

CONTRIBUTIONS TO FEDERAL CANDIDATES AND COMMITTEES: Company policy and federal law strictly prohibit the contribution of Company funds or other assets to a federal candidate, campaign committee, or federal account of a political party, or the expenditure of Company funds or other assets for an election for federal office.

Contributions Defined. A contribution is anything of value given to influence a federal election, and may include the following in addition to contributions of money:

"In-kind" contributions. In-kind contributions include goods or services offered by the Company to a candidate, campaign committee, or political party free of charge, goods or services offered by the Company to a candidate, campaign committee, or political party at

less than the usual and normal charge, and/or payments by the Company for goods or services rendered to a candidate, campaign committee or political party.

Loans and Loan Guarantees. A loan or loan guarantee to a candidate, campaign committee, or political party is a contribution.

Debt forgiveness. Any account receivable not expected to be repaid or a write-off of an account receivable as a bad debt may be a contribution.

Prohibited Contributions. Federal law prohibits corporations from using corporate funds to make contributions to federal candidates or campaign committees. The prohibition covers:

Reimbursements. The Company may not reimburse individuals who make contributions to a candidate, campaign committee, or political party.

Compensation for Goods or Services. With very limited exceptions, the Company may not pay for goods or services rendered to a candidate or campaign committee.

Other Prohibited Contributions. In addition to the prohibition on corporate contributions, federal election law prohibits:

Contributions In the Name of Another. Contributions made by one person in the name of another are prohibited. Such a contribution could result, for example, if the Company or an executive reimbursed an employee's contribution through a bonus, expense account, or other means.

Contributions from Foreign Nationals. Foreign nationals who are not permanent U.S. residents (i.e., foreign nationals not holding a "green card") are prohibited from making contributions in connection with any election -- federal, state or local.

Anonymous Contributions. Anonymous contributions are prohibited.

Contributions from Federal Government Contractors. Candidates and candidate committees may not accept contributions from federal government contractors.

Excess Contributions. Contributions in excess of the limits imposed by federal law are prohibited. See discussion below at page 11.

COMMUNICATIONS: Federal law permits corporations to use corporate funds to engage in certain federal election-related communications. The permissible content of these communications is determined by the audience towards which they are directed.

Communications to the Restricted Class. Federal law defines a corporation's "restricted class" to include its executive and administrative personnel, stockholders, and the families of both groups. The restricted class does *not* include executives of other firms, clients, etc. Executive and administrative personnel are defined as salaried personnel who have policy-making, managerial, professional or supervisory responsibility. When communicating with its restricted class, the Company may expressly advocate the election or defeat of a clearly identified federal candidate and it may solicit contributions to candidates, campaign committees, or political parties. Under these circumstances, the Company may even coordinate communications with candidates, campaign committees or political parties. If communications involve express advocacy, and the Company spends, in the aggregate, more than \$2,000.00 per election, then the Company must report the expenditures to the Federal Election Commission.

Communications Beyond the Restricted Class. When communicating with employees outside the restricted class, the Company may not expressly advocate the election or defeat of any candidate, solicit contributions to any candidate, campaign committee, or political party, or coordinate with a candidate, campaign committee, or political party concerning plans, projects and/or needs.

Candidate and Party Appearances. Corporate-sponsored appearances by candidates and party representatives are permissible, but heavily regulated. In general, the Company may sponsor appearances before three types of audiences: members of the Company's restricted class and their families, all employees and their families, and the general public.

Appearances Before the Restricted Class: The Company at any time may invite a candidate for federal office, or a party representative, to address its restricted class at a meeting, convention, or other function. Such an appearance may occur on corporate property. During an appearance before the restricted class, both the Company and the candidate or party representative may engage in express advocacy. Moreover, the Company may coordinate with the candidate or party regarding the structure, format, and

timing of the appearance as well as the plans, projects, and needs of the candidate or the party. Finally, the candidate or party representative may ask for and collect contributions before, during and/or after the appearance. *Company officials may urge members of the restricted class to contribute, but may **NOT** collect contributions for the candidate. (For example: The Company may provide an address for the candidate or party, but may **NOT** provide stamped envelopes).* The reporting requirements that apply to expenditures on communications to the restricted class apply to communications made in connection with candidate appearances (see **Communications to the Restricted Class** above).

Appearances Before All Employees and their Families: The Company may also sponsor candidate and party appearances before audiences that include employees and their families who are not members of the restricted class. These appearances may occur on Company property or at a Company meeting, convention, or other function. Under these circumstances, the Company may not engage in express advocacy or encourage its employees to do so, and it may not solicit contributions to the candidate or party, or coordinate with the candidate or party regarding plans, projects or needs (though coordination regarding the timing, structure, and format of the appearance is permissible). The candidate or party representative may engage in express advocacy, may solicit contributions, and may leave campaign materials and envelopes for making contributions. However, the candidate or party representative may not actually collect contributions before, during, or after the appearance. *(Note: If a corporation sponsors an appearance by a candidate before an audience including employees outside of the restricted class, it must allow the same opportunity to all candidates running for that office upon request.)*

Appearances Before the General Public: Under **very limited circumstances**, the Company may sponsor candidate appearances before the general public. Such sponsorship is permissible where the Company sponsors an appearance by a federal, state, or local officeholder who appears in his or her capacity as an elected official and not as a candidate for federal office. In this case, neither the officeholder nor the Company may engage in express advocacy or in the solicitation of contributions. The officeholder may address issues of corporate or public interest, but must avoid references to the campaign or election.

Publications. The Company may produce print, broadcast, video, digitized or other types of published materials for distribution to both its restricted class and others. As with political appearances, however, election-related materials disseminated beyond the restricted class are

subject to strict limitations. Publications distributed to the restricted class may contain express advocacy, include solicitations, and be the product of coordination between the Company, a candidate, campaign committee, or political party (however, the publication may not simply be a reproduction of campaign materials -- rather, it must express the original views of the Company). Publications distributed beyond the restricted class must not contain express advocacy or solicitations, and may not be based on coordination between the Company and a candidate, campaign committee, or political party. The reporting requirements that apply to expenditures on communications to the restricted class apply to publications (see Communications to the Restricted Class above).

Endorsements. In addition to endorsing candidates at appearances before (or in publications distributed to) its restricted class, the Company may also announce endorsements it has made -- and may explain its rationale for endorsing a candidate or party -- through a press release or press conference. In so doing, the Company may only distribute the press release or notice of the press conference to its usual media contacts. *The Company may not coordinate with a candidate or party regarding such an announcement.*

Registration and Get-Out-The-Vote Drives. The Company may urge members of its restricted class to register with a particular party and/or vote for a particular candidate. It may also provide transportation to the registration or polling place (but must not do so on condition of voting for a particular candidate or registering with a particular party). The Company may also establish and operate phone banks to urge members of its restricted class to register and vote. When voter registration or get-out-the-vote efforts are aimed beyond the restricted class, the Company may not expressly advocate the election or defeat of a clearly identified candidate or the candidates of a clearly identified party. Such efforts cannot be coordinated with a candidate or party, and must not be aimed primarily at employees inclined to vote for the candidate or register with the party favored by the Company. Registration and voting services must be provided to all employees, regardless of political preference, and availability must be made clear in writing. *The Company may not compensate those who conduct registration and voter drives based on the number of assisted persons who vote for the Company's preferred candidate or registered with the Company's preferred party.*

Voter Education. The Company may sponsor public advertisements promoting registration and voting, as long as those advertisements are not coordinated with any candidate, campaign committee or party and do not contain any express advocacy. The Company may also distribute voter information that is produced by official election administrators, and may contribute funds

to state and local governments to defray the costs of printing and distributing registration or voting information and forms.

OTHER USES OF CORPORATE FUNDS: In addition to certain communications, the Company may use its funds for other activities that may affect the political process at the federal level. These permissible purposes include:

Donations for Party Office Building. The Company may donate money or other items of value to a state or national party committee for the specific purpose of constructing or purchasing a party office facility (as long as no part of the donation is used to influence a particular federal election). Such building fund donations are not considered "contributions" and are not subject to limitation or prohibition.

Employee Participation Plans. The Company may pay for the establishment and administration of employee bank accounts and payroll checkoff plans used to transfer employee payroll funds into separate accounts used by employees to make voluntary political contributions. These plans must be available to all Company employees, who must not be pressured to participate, and who must maintain complete control and discretion over all contributions made from their individual accounts. The Company may not be identified when contributions from these accounts are submitted to candidates or parties.

National Convention Activities. In certain circumstances, the Company may contribute to or engage in activities associated with a national party's convention. Because the rules governing corporate contributions and participation are complex, the Company's General Counsel should be consulted before involving the Company in any activities associated with a national party convention.

Contributions to Non-Federal Candidates and Committees. See discussion below at page 10.

RESOURCES AND FACILITIES: The Company may, under limited circumstances, allow candidates, parties, and individuals to use Company resources (like office equipment, rooms, furniture, etc.) in connection with federal elections. However, federal election law contains very strict regulations regarding such use, and Beaulieu requires that the written permission of the Company's General Counsel must be sought prior to allowing it.

Individual Volunteer Activity. Company employees may make "occasional, isolated, or incidental use" of corporate facilities for their own individual volunteer activities on behalf of federal candidates, provided that the employee-volunteers reimburse the Company for such use. Volunteer work of up to one hour per week or four hours per month will be considered incidental use. When use of facilities is incidental, employee-volunteers need only reimburse the Company to the extent such use increases the Company's overhead or expenses. When the use is more than incidental, the employee-volunteer must, within a commercially reasonable time, reimburse the Company for the usual and normal rental charge for such use.

Use in Fundraising. *If the Company receives advance payment for the fair market value of the services it provides*, it may (1) make Company facilities and resources (including lists of customers, clients, vendors, or others) available to a federal candidate or committee, and/or (2) operate or obtain catering or other food services. Payment from a candidate, committee, or other permissible political source must be received *before* the services, lists, or catering services are provided. Corporate employees and subordinates *may not* be coerced into assisting with fundraising activities, and any work done for the corporation by employees and subordinates on such activities must also be paid for in advance.

Use of Offices and Equipment. If a candidate, campaign committee, political party, or individual other than a Company official or employee uses Company facilities (including, for example, telephones, computers, furniture, office space, etc.) in connection with a federal election, the Company must be reimbursed for the usual and normal rental charge within a commercially reasonable time. *If the Company ordinarily makes its meeting rooms available to civic or community clubs or organizations at a discount or for free, and it makes them available to all candidates, campaign committees, and political parties upon request*, then it may provide a free or discounted meeting room to a candidate, committee, or political party.

Transportation. The Company may allow a candidate, candidate's agent, or someone traveling on behalf of a candidate to use aircraft owned or leased by the Company. However, the user will be required to make *advance payment* to the Company of either (1) the first class air fare rate (for travel to cities with regularly scheduled commercial airline service), or (2) the usual charter rate (for travel to cities with no regularly scheduled commercial service). For use of other means of transportation owned or leased by the Company, reimbursement must be made at the usual and normal rental rate.

CONTRIBUTIONS TO NON-FEDERAL CANDIDATES AND COMMITTEES: If allowed under state and local law, the Company may make contributions to nonfederal candidates and to state and local political committees. The Company also may make donations to the non-federal accounts (i.e., "soft money") of national party political committees. **Advance written permission of the Company's General Counsel is required, however.** Additionally, state and local laws vary enormously and must be checked as necessary. A brief description of Georgia law is provided below.

Contributions to Georgia Candidates and Committees. Georgia election law permits limited corporate contributions to candidates for state and local elected office. The contribution limits are the same as those applied to individuals (see **INDIVIDUAL CONTRIBUTIONS** section below). *These limitations aggregate contributions from a corporation and all its affiliated corporations.*

Prohibited Contributions in Georgia. In Georgia, anonymous contributions are prohibited, as are contributions by certain regulated entities to the "elected executive officers" (including the Secretary of State, Attorney General, State School Superintendent, Commissioner of Insurance, Commissioner of Agriculture, and Commissioner of Labor) who head the agencies that regulate them. *Candidates for state-wide office and for the Georgia General Assembly may not accept contributions during a legislative session.*

Reporting Requirements. If the Company makes contributions to or expenditures of over \$500 on behalf of multiple candidates for office in Georgia, it must file periodic reports with the Georgia Secretary of State. Contributions to state party committees are not limited and do not trigger reporting requirements.

Contributions to Non-Federal Candidates and Committees by the Company. In those states, including Georgia, that permit corporate political contributions, corporate funds may be used to the extent permitted by law, but Beaulieu requires that the advance written approval of the Company's General Counsel must be obtained. All authorized contributions must be made only to the candidate's authorized campaign committee, to a political party, or to other recipients who may legally receive such contributions. All applicable reporting requirements imposed by law shall be promptly complied with and evidence of such compliance shall be forwarded immediately to the Company's General Counsel.

B. PERSONAL POLITICAL ACTIVITY BY INDIVIDUAL EMPLOYEES

Beaulieu executives and employees are expected to observe all federal, state, and local laws governing individual political activity.

INDIVIDUAL CONTRIBUTIONS: All executives and employees of the Company may make personal contributions to candidates for federal, state, and local elected office. However, contributions to candidates for federal office may not be reimbursed by Beaulieu or any of its executives or employees. Further, all contributions must be voluntary, and no contributions in excess of \$100.00 to federal candidates may be in the form of cash.

Contribution Limits (Federal). Federal limits on individual contributions are as follows:

To candidates for federal office: \$1,000.00 per election. (Note: primary, general, special, and run-off elections are separate elections for limitation purposes).

To non-candidate, federal political action committees: \$5,000.00 per year.

To state and local party committees: \$5,000.00 per year (combined).

To a national party committee: \$20,000.00 per year.

Overall limit: There is a \$25,000.00 per year cumulative limit on contributions made in connection with federal elections (contributions to candidates are counted against the year the election is held, not the year the contribution is made).

Family Allocation Rules. Contribution limits apply individually to each member of a family. Unless the contributor directs otherwise, contributions will be allocated in accordance with the designation on the instrument used to make the contribution. *Children may contribute, but only with their own money and of their own volition.*

In-kind Contributions. As discussed above, contributions need not be in the form of money. Contributions of goods, services, or "anything of value" are referred to as in-kind contributions, and count against an individual's contribution limits. For example, an individual might contribute \$500.00 in funds and \$500.00 in office supplies to reach his or her \$1,000.00 federal

candidate contribution limit. So when an individual makes an advance payment or reimburses a corporation for use of office resources in connection with a federal election, he or she must charge the reimbursement against his or her contribution limits.

Contribution Limits (Georgia). Georgia contribution limits are as follows:

To state-wide candidates during an election year: \$5,000.00 per year. (Note: limits are imposed annually rather than on a per election basis).

To candidates for all other elected offices in Georgia during an election year: \$2,000.00 per year.

To all Georgia candidates during a non-election year: \$1,000.00 per year.

Overall Limits: Unlike federal election limits, there is no annual cumulative limit on contributions for Georgia state elections.

VOLUNTEER ACTIVITIES: Individuals, including Company executives and employees, may freely volunteer their personal time in support of candidates for federal office. However, caution must be exercised when volunteer work is conducted during office hours or on Company premises. Because of the federal prohibition on corporate contributions, individual volunteer activities occurring at the office are closely regulated (see **RESOURCES AND FACILITIES** above). Individual expenditures made in connection with volunteer activities are subject to separate regulations which should be checked where applicable.

C. ISSUE ADVOCACY

Issue advocacy is a term used to describe the discussion and promotion of issues of public import that are not related to campaigns for federal office. Both corporations and individuals are increasingly exercising their First Amendment rights to speak on such public issues. Such communication must be done with extreme caution, however, because if it crosses the line and becomes express advocacy (as determined by the Federal Election Commission), then the communication will be considered an expenditure made in connection with a federal election and could result in a prohibited corporate or excessive individual contribution.

Company executives or employees should not engage in issue advocacy on behalf of the Company without first obtaining advanced written approval from the General Counsel.

If a Beaulieu employee has concerns regarding possible unethical or illegal political contributions, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

GIFTS, ENTERTAINMENT, AND GRATUITIES

Beaulieu employees should not accept improper payments of any kind nor should they make improper payments to customers, suppliers, government officials, or any other individuals.

Receiving Gifts, Entertainment, and Gratuities. Beaulieu employees must select and interact with those who are doing or seeking to do business with the Company in a completely impartial and professional manner. Beaulieu employees shall not seek or accept from any such person or entity any gift, entertainment, or favor of a type that goes beyond common courtesies consistent with ethical business practices and are other than those of a minor nature. You should not accept any gift or entertainment that could reasonably be perceived to influence your judgment and independence. Acceptance of cash or gift certificates is absolutely forbidden. If you are offered an improper gift or payment, you should notify your supervisor, the General Counsel, or the Compliance Officer.

Providing Gifts, Entertainment, and Gratuities. No Beaulieu employee shall make any unethical or illegal payment to anyone to induce them to purchase the Company's products. Beaulieu strictly forbids any employee from offering a bribe, gratuity, kickback, or any similar payment to anyone in connection with the sale of Beaulieu's products. No Beaulieu employee shall give a personal gift to an employee of a customer with the expectation that the gift will influence the customer to purchase Beaulieu's products. Provisions of this section are not intended, however, to prohibit reasonable business entertainment or gifts that are appropriate in the normal course of business and permitted by law. The Company will only reimburse expenses incurred by employees for such business entertainment or gifts pursuant to the Company's policy regarding expense reports and applicable Internal Revenue Service regulations. Where a bill will not be submitted to the Company and/or the bill has been paid by an employee of the Company in the normal course of business, an expense report must be filled out, signed, and approved prior to reimbursement for reasonable business entertainment or gifts that are appropriate in the normal course of business and permitted by law.

Relationships With Governmental Employees. Acceptable practices in the commercial business environment may violate certain laws and regulations if followed when doing business with federal, state or local government officials and employees. Beaulieu employees must be aware of and strictly adhere to the relevant laws and regulations governing relations between the government and its customers and suppliers.

Beaulieu does not make, and will not permit, payments of any kind to or on behalf of any government representative or employee. Payments to government officials in order to secure sales or obtain favorable treatment are strictly forbidden. Gifts to or entertainment of any employee of a government agency which regulates the conduct of Beaulieu are also strictly prohibited. No Beaulieu employee should pay or reimburse any expense of any government representative or employee, or ever provide gifts or anything of value to such a representative or employee.

Business Relationships Outside the United States. Business conduct may differ in other countries in which we sell our products. As a Beaulieu employee, you should never give, offer, promise, or authorize any payment for the personal benefit of any government official, candidate, or party official within the United States or outside its borders. Nor should you pay anyone else if you believe that any portion of the payment will, in turn, be given or offered to any government official, candidate, or party official. You should not authorize any political contributions to non-U.S. campaigns or political parties without the advance written approval of the Company's General Counsel.

If a Beaulieu employee has concerns regarding possible unethical business practices, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

METHODS OF COMPETITION

Beaulieu will compete fairly and legitimately and comply fully and in good faith with all applicable antitrust laws. Beaulieu employees shall not engage in any activities that involve limiting competition, restraining trade, or other anti-competitive efforts that may violate civil or criminal antitrust laws. The following broad, general guidelines should be followed by all Beaulieu employees. Those Beaulieu employees who have responsibility in areas of the business which involve pricing, purchasing, or sales should be aware of the specific requirements of these laws and of their implications. Because of the complexity of antitrust laws and the severity of their penalties, Beaulieu employees should consult closely with the Company's General Counsel to discuss the lawfulness of any proposed activities that potentially could be construed to inhibit full and fair competition.

The following areas of specific concern are set forth below only to acquaint employees with the antitrust risks involved so that legal advice can be obtained on a "before the fact" basis. This section by no means provides an exhaustive discussion of potential antitrust liability. It serves only to alert you to common antitrust risks and to encourage you, when confronted with any such risk, to consult with the Company's General Counsel.

In certain respects, these admonitions go beyond the letter, or even the spirit, of the antitrust laws. Nonetheless, the Company wants to avoid any claims of antitrust misconduct even if baseless. Accordingly, the Company has adopted these guidelines with this preventive goal in mind.

Relations with Competitors (in their capacity as a competitor and not as a supplier or customer). Employees or representatives of Beaulieu shall not discuss, communicate, or exchange information with any representative of a competitor concerning the prices or terms on which products are sold or the clients or markets served by Beaulieu or the competition. Company policy prohibits communication with a competitor on any of the following subjects: past, present, or future prices; pricing policies; discounts or allowances; royalties; terms or conditions of sale; costs; profits; customer selection; territorial markets; production or sales volume; market share; production quotas; allocation of customers or territories; distribution methods; or bidding for jobs.

The Company's policy against communicating with competitors prohibits listening to or receiving information, even if unsolicited, from competitors. Beaulieu employees or

representatives may not attend any meeting at which competitors discuss any subjects that could affect price and should disassociate themselves immediately from any such discussions and report them to the Company's General Counsel.

Agreements with competitors concerning any of the previously mentioned subjects are strictly forbidden. Agreements relating to prices, the allocation of geographic areas or customers groups, or to bidding for a particular project are especially to be avoided. Impermissible agreements include everything from formal contracts to casual and tacit understandings.

Beaulieu prices must be determined independently, in light of Company cost, market condition, and competitive prices. Although competitive prices are a legitimate basis for our own prices, these competitive prices should be obtained only from publicly available price lists previously circulated to the trade or from noncompetitive sources, such as customers, which previously received a price from the competitor. It is contrary to Company policy to obtain any kind of price information directly from a competitor or to send Company price lists to a competitor.

All overtures or suggestions to a Beaulieu employee that the Company engage in a prohibited activity, such as price-fixing or territorial allocation, must be reported immediately to the Company's General Counsel.

Relations with Customers and Suppliers. Beaulieu makes its own independent judgments concerning the customers and suppliers with which it does business. It is against Company policy to enter into any type of agreement or understanding to do or refrain from doing business with a third party. Because refusals to do business often lead to litigation, Beaulieu employees should consult with Company counsel before deciding not to do business with a potential customer.

The Company's products are to be sold on their merits. No sale of Company products may be conditioned on a customer's agreement to purchase another of the Company's products or to refrain from purchasing the product of a competitor. Similarly, it is against Company policy to condition purchases on the agreement of a supplier to purchase the Company's products. Exclusive dealing arrangements with either customers or suppliers must be approved in advance by the Company's General Counsel.

Although a company is permitted to suggest to its customers resale prices and terms, antitrust law generally prohibits entering into any agreement, whether express or implied, with customers concerning the minimum prices or terms of resale. It is also generally illegal to require any customer to adhere to suggestions regarding minimum resale prices and terms as a condition of doing business. It is the policy of Beaulieu to comply with such restrictions. Under no circumstances may the Company require a customer to agree to minimum prices for the sale of its products. The Company's General Counsel should be consulted before the Company enters into any new distribution or supply agreement that differs in any respect from those previously approved.

Beaulieu treats its customers fairly. The prices charged for the Company's products and the promotional and advertising allowances it grants in connection with the sale of its products are determined according to legitimate and non-discriminatory business reasons. Because the laws prohibiting price discrimination are particularly complex, any departure from the Company's established prices, terms, or other policies must have prior written approval from the Company's General Counsel and should be carefully documented.

Professional and Trade Associations. Most trade association functions are perfectly lawful and may be valuable to the Company. For example, trade associations often collect and disseminate established data, provide a forum for the discussion of subjects of interest to the industry, and improve the industry's image. However, because trade association gatherings usually involve contacts with competitors, these meetings often pose antitrust risks.

Written approval of the Company's General Counsel is necessary before the Company may join any trade association. Before attending any trade association meeting for which an agenda has been published in advance, Beaulieu employees must submit the agenda to the General Counsel for prior approval.

No Beaulieu employee or representative shall participate in any trade association meeting that involves improper discussion of such topics as pricing and market allocation. If any such improper discussion arises, Beaulieu employees should immediately excuse themselves and report the discussion to the Company's General Counsel.

If a Beaulieu employee has concerns regarding possible anti-competitive practices, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

MARKETING, ADVERTISING, AND SALES

Beaulieu believes that providing accurate information about the Company's products is the most effective way to market them to current and potential customers. Beaulieu products are to be sold on their merits. The Company depends on its marketing, advertising, and sales staff to describe Beaulieu's products honestly and reliably.

No Beaulieu employee shall engage in any unfair or deceptive trade practices. This prohibition broadly covers misrepresentations of all sorts that are made in connection with sales, whether orally or in writing. All Beaulieu advertising and marketing materials must be truthful and not misleading. If a Beaulieu employee believes that a customer or potential customer misunderstood him or her, the employee should promptly correct the misunderstanding. Specific claims about Beaulieu's products must be made with a good faith basis and must be supportable. Beaulieu employees should not make comments about Beaulieu's competitors that would be disparaging, false, or misleading.

In negotiating contracts or preparing proposals, Beaulieu employees must be accurate and complete in all representations or statements made on the Company's behalf. Knowingly submitting a false or misleading proposal or other document to any client or vendor could result in serious civil and criminal liability for the employee and the Company.

If a Beaulieu employee has concerns regarding possible improper advertising, marketing, or sales practices, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

INTERNATIONAL SALES

The ability of U.S. companies and their international affiliates to sell goods in the world market is restricted by various federal laws and regulations. Trade embargoes and boycotts, customs laws and regulations, export control laws, and antiboycott laws all may restrict the Company's ability to sell or affect the manner in which the Company may sell its goods in particular countries outside the United States.

It is Beaulieu's policy to comply fully with all laws and regulations applicable to the international sale of its products. Beaulieu employees responsible for the sale of the Company's products outside the United States must be aware of applicable laws and regulations and of their implications for Beaulieu's business practices. Any requests made to Beaulieu to participate or cooperate in a particular boycott should be reported to the Company's General Counsel.

For rules governing gifts or payments to foreign officials, see **GIFTS, ENTERTAINMENT, AND GRATUITIES**, above.

If a Beaulieu employee has concerns regarding the propriety of the sale of Beaulieu's products outside the United States, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

CONFLICTS OF INTEREST

Beaulieu respects the rights of its employees to manage their own affairs and investments and does not wish to infringe upon their personal lives. Each Beaulieu employee, however, has a duty of loyalty to Beaulieu. All Beaulieu employees must avoid any conflict between personal interests and company interests in dealing with suppliers, customers, and all other corporations, companies, organizations, or individuals doing or seeking to do business with Beaulieu. As a general rule, it can be assumed that a conflict of interest exists if the outside interest could affect, or appear to affect, a person's judgment, performance, or motivation to perform for Beaulieu.

Beaulieu employees must avoid any associations or investments that could cause their loyalty to Beaulieu or their independent judgment to be questioned. Employees should disclose all potential conflicts of interest involving themselves or their immediate families to the Compliance Officer. The Compliance Officer will investigate these conflicts and determine the steps necessary to protect the Company.

If a Beaulieu employee has concerns about possible conflicts of interests involving other employees, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

INTELLECTUAL PROPERTY AND CONFIDENTIALITY

Like Beaulieu, other organizations have intellectual property and confidential business information that they seek to protect. It is the policy of Beaulieu to comply with all applicable laws and regulations governing the access to and use of such information.

Intellectual Property Rights. Copyright laws generally prohibit the copying, distribution, use, and display of a copyrighted work without the prior permission of the copyright owner. Beaulieu employees generally should not duplicate copyrighted articles, artwork, or video footage without appropriate authorization. In some instances, duplication or distribution will be permitted as fair use, but this is a very limited exception and will rarely justify external distribution of copies of copyrighted material. If you have any questions about whether a particular use of copies is permissible, you should consult with the Company's General Counsel.

Copyright laws also restrict the use of computerized software. Software products purchased by the Company are also covered by some form of licensing agreement that describes the terms, conditions, and allowed uses of the software. It is the policy of Beaulieu to comply fully with all such restrictions on its software use. Use or copying of computer software outside of those bounds is strictly prohibited.

Certain products and processes in our industry are protected by patents and trademarks. It is the policy of Beaulieu to take all reasonable steps to be aware of the intellectual property rights of its competitors and others and to avoid infringing on such rights.

Confidential Information. Beaulieu employees must respect the confidential and proprietary nature of business information. No Beaulieu employee should solicit or use any proprietary or confidential information belonging to another party unless the use of this information is expressly authorized. Beaulieu employees should not misuse or misappropriate another company's confidential information. If approached with an offer of confidential or proprietary information that you believe may have been obtained improperly, you should refer the matter to the Company's General Counsel. Information that is published or otherwise in the public domain or is independently developed is not considered to be proprietary.

Protection of Beaulieu's intellectual property and confidential information is essential to maintaining the Company's business success. Beaulieu employees should therefore take all

reasonable steps to protect the confidentiality of the Company's business, technology, finances, employees, compensation, business plans, products, services, pricing, research and development, marketing, and methodologies. All this information is confidential unless Beaulieu makes it available to the public or the information is clearly intended to be available outside Beaulieu. Employees may not disclose the Company's confidential information to anyone outside of Beaulieu, except to the extent necessary for conducting the Company's business.

Communications. Beaulieu makes available to its employees electronic mail, phone mail, computer systems, electronic media, and information resources. Beaulieu provides these resources for business use, and all rights relating to the use of these systems belong to Beaulieu. Access to and use of these systems must comply with Beaulieu policies, including the prohibition of unauthorized access. Because of the business necessity of accessing information, these systems are not designed to provide personal privacy for employee communications.

If a Beaulieu employee has concerns regarding a possible violation of the intellectual property or confidentiality rights of a third party or Beaulieu, the employee should contact his or her supervisor, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

WORKER SAFETY

Beaulieu is committed to continuing to provide a safe and healthy workplace for all of its employees. It is the policy of Beaulieu to provide for the occupational safety and health of its employees and to comply with all applicable safety codes, regulations, and laws.

Developing and maintaining a safe working environment requires the participation and cooperation of all Beaulieu employees. All employees are required to exercise due care in the course of their work to prevent injuries to themselves and others. All employees must comply with all applicable federal, state, and local laws and regulations relating to workplace safety and must adhere to Beaulieu's workplace safety policies. Employees who endanger themselves or others by violating workplace rules will be disciplined or discharged.

If a Beaulieu employee has concerns about unsafe working conditions, the employee should contact either the Plant Safety Coordinator, the Plant Manager, the Compliance Officer, or the Corporate Compliance Helpline (1-800 ____- ____). Calls to the Helpline will be treated confidentially.

ENVIRONMENTAL SAFETY

Beaulieu is committed to continuing to protect the safety and health of not only its customers and workers, but also the communities in which it works. It is the policy of Beaulieu to take all reasonable steps to minimize the environmental impact of its business operations and to protect the natural resources of its host communities. It is also Beaulieu's policy to fully comply with all applicable environmental laws, regulations, and permits.

It is the responsibility of each Beaulieu employee to perform his or her individual functions in accordance with this policy. Beaulieu employees shall accurately and completely record all environmental data and shall respond promptly and professionally to any threat to human health or to the environment.

If a Beaulieu employee has concerns regarding improper or unsafe environmental practices, the employee should contact either the Plant Manager, the Compliance Officer, or the Corporate Compliance Helpline (1-800- -). Calls to the Helpline will be treated confidentially.

HELPLINE

In order to provide employees with every avenue possible in which to raise their concerns, Beaulieu has established a Corporate Compliance Helpline (1-800-____-____) for the use of Beaulieu employees. Calls to this Helpline will be treated confidentially. Beaulieu's Corporate Compliance Officer, assisted by the appropriate Department, will investigate all calls. Beaulieu prohibits any employee from retaliating against a Helpline caller.

LIST OF PHONE NUMBERS

Corporate Compliance Helpline

(800) ____ - ____

Corporate Compliance Officer

(706) 275-4451, ext. 3404

Beaulieu General Counsel

(706) 272-7303

CERTIFICATE OF RECEIPT

I certify that I have received the Beaulieu Standards of Conduct and Compliance Handbook. I agree to comply with the terms of the Handbook, and I understand that violation of these terms may lead to disciplinary action, including termination.

SIGNATURE:

NAME (Print):

DEPARTMENT:

DIVISION:

DATE:

Return completed form to the Compliance Officer.

99.04.392.0238

BEAULIEU GROUP, LLC

P.O. BOX 4539

DALTON, GEORGIA 30719-4539

VENDOR NUMBER	VENDOR NAME				CHECK DATE	CHECK NO.
	CLERK, U S DISTRICT COURT				11/24/98	338293
CODING INFORMATION	INVOICE IDENTIFICATION	INVOICE DATE	INVOICE AMOUNT	TERMS DISCOUNT	AMOUNT PAID	
	SETTLEMENT	11/24/98	1000000.00		1000000.0	
TOTALS			1000000.00		1000000.0	

THIS CHECK IS PRINTED ON CHEMICAL REACTIVE PAPER WHICH CONTAINS A WATERMARK - HOLD UP TO A LIGHT TO VIEW

LASALLE NATIONAL BANK
CHICAGO, ILLINOIS
0710
PAYABLE THROUGH LASALLE BANK OF LISLE
LISLE, ILLINOIS

Beaulieu Group, LLC

P.O. BOX 4539
DALTON, GEORGIA 30719-4539

70-2302
719

No. 338293

CHECK DATE		
11	24	98

PAY EXACTLY

DOLLARS AND

CENTS

CHECK AMOUNT
\$\$\$1,000,000.00****

TO THE ORDER OF *****ONE MILLION DOLLARS AND NO/100*****

CLERK, U.S. DISTRICT COURT

BEAULIEU GROUP, LLC

Bary M. Smith

MP
AUTHORIZED SIGNATURE

John M. Smith

MP
AUTHORIZED SIGNATURE

BEAULIEU GROUP, LLC

P.O. BOX 4539

DALTON, GEORGIA 30719-4539

VENDOR NUMBER	VENDOR NAME				CHECK DATE	CHECK NO
	FEDERAL ELECTION COMMISSION				11/24/98	338294
CODING INFORMATION	INVOICE IDENTIFICATION	INVOICE DATE	INVOICE AMOUNT	TERMS DISCOUNT	AMOUNT PAID	
	SETTLEMENT	11/24/98	200000.00		200000.0	
TOTALS			200000.00		200000.0	

THIS CHECK IS PRINTED ON CHEMICAL REACTIVE PAPER WHICH CONTAINS A WATERMARK - HOLD UP TO A LIGHT TO VIEW

LASALLE NATIONAL BANK
CHICAGO, ILLINOIS
0710
PAYABLE THROUGH LASALLE BANK OF LISLE
LISLE, ILLINOIS

Beaulieu Group, LLC

P.O. BOX 4539
DALTON, GEORGIA 30719-4539

70-2302
719

No. 338294

CHECK DATE		
11	24	98

PAY EXACTLY

DOLLARS AND

CENTS

CHECK AMOUNT
\$***200,000.00*****

TO THE ORDER OF*****TWO HUNDRED THOUSAND DOLLARS AND NO/100*****

FEDERAL ELECTION COMMISSION

BEAULIEU GROUP, LLC

Bay

AUTHORIZED SIGNATURE MP

[Signature]

AUTHORIZED SIGNATURE MP

BEAULIEU GROUP, LLC		P.O. BOX 4539		DALTON, GEORGIA 30719-4539	
VENDOR NUMBER	VENDOR NAME			CHECK DATE	CHECK NO
CLERK U.S. DISTRICT COURT				11/24/98	338295
CODING INFORMATION	INVOICE IDENTIFICATION	INVOICE DATE	INVOICE AMOUNT	TERMS DISCOUNT	AMOUNT PAID
ADMINISTRATION FEES		11/24/98	625.00		625.00
TOTALS			625.00		625.00

THIS CHECK IS PRINTED ON CHEMICAL REACTIVE PAPER WHICH CONTAINS A WATERMARK - HOLD UP TO A LIGHT TO VIEW

LASALLE NATIONAL BANK
CHICAGO, ILLINOIS
0710
PAYABLE THROUGH LASALLE BANK OF LISLE
LISLE, ILLINOIS

Beaulieu Group, LLC

P.O. BOX 4539
DALTON, GEORGIA 30719-4539

70-2302
719

No. 338295

CHECK DATE		
11	24	98

PAY EXACTLY

DOLLARS AND

CENTS

CHECK AMOUNT
\$***625.00*****

TO THE ORDER OF ***SIX HUNDRED TWENTY-FIVE AND NO/100*****

CLERK, U.S. DISTRICT COURT

BEAULIEU GROUP, LLC

Bary King

AUTHORIZED SIGNATURE
[Signature]

AUTHORIZED SIGNATURE

*Suite 1800 Richard Russell Building Telephone (404)581-6000
75 Spring Street, S.W. Fax (404)581-6160
Atlanta, Georgia 30335*

FOR IMMEDIATE RELEASE

12/1/98

**BEAULIEU OF AMERICA, INC. PLEADS GUILTY TO FEDERAL
CAMPAIGN FINANCING VIOLATIONS; ORDERED TO PAY \$1 MILLION FINE**

Richard H. Deane, Jr., United States Attorney for the Northern District of Georgia; Jack Daulton, Special Agent in Charge, Federal Bureau of Investigation; and Andre Martin, Chief, Criminal Investigation Division, Internal Revenue Service, announced that BEAULIEU OF AMERICA, INC., of Dalton, Georgia, pleaded guilty today before United States District Judge Harold L. Murphy and was sentenced for violating federal campaign financing laws. According to Deane:

BEAULIEU OF AMERICA, INC., a major carpet manufacturer based in North Georgia, pleaded guilty to a Criminal Information charging the company with one count of making corporate contributions to a federal election campaign, and four counts of making disguised contributions through conduits. All five counts are misdemeanors.

BEAULIEU OF AMERICA, INC. was then sentenced to pay a criminal fine of \$1 million and was placed on probation until the end of the next federal election cycle on December 31, 2000. BEAULIEU OF AMERICA, INC. was also ordered to implement a political fundraising compliance program to prevent and detect any future campaign

financing violations. In addition, the company's officers will perform 500 hours of approved community service, including at least 200 hours performed by the company's Chief Executive Officer, CARL M. BOUCKAERT.

On March 8, 1995, a fundraising dinner co-chaired by BOUCKAERT, was held in Dalton, Georgia, for Lamar Alexander, a candidate for President in the 1996 elections. At the direction of some corporate officers, at least 36 BEAULIEU OF AMERICA, INC. employees or spouses made contributions of \$1000 each to the Alexander for President Committee to purchase tickets to the dinner. BEAULIEU OF AMERICA, INC., later reimbursed the employees using corporate funds, disguising the reimbursements in the company's records as "bonuses" or "expense reimbursements." As a result, the Alexander for President Committee unwittingly and incorrectly reported as individual contributions what were in fact at least \$36,000 in corporate contributions funneled through conduits.

This case was investigated by Special Agents of the Federal Bureau of Investigation and the Internal Revenue Service.

Assistant United States Attorneys David E. Nahmias and Randy S. Chartash prosecuted the case, with assistance from Craig C. Donsanto of the Elections Crimes Branch, Public Integrity Section, United States Department of Justice.

For further information please contact Richard H. Deane, Jr., United States Attorney, or Michael O'Leary, Acting Chief, Criminal Division, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is <http://www.law.emory.edu/USAO>

BEAULIEU GROUP, LLC

P.O. BOX 4539

DALTON, GEORGIA 30719-4539

VENDOR NUMBER	VENDOR NAME				CHECK DATE	CHECK NO.
	FEDERAL ELECTION COMMISSION				11/24/98	338294
CODING INFORMATION	INVOICE IDENTIFICATION	INVOICE DATE	INVOICE AMOUNT	TERMS DISCOUNT	AMOUNT PAID	
	SETTLEMENT	11/24/98	200000.00		200000.00	
TOTALS			200000.00		200000.00	

THIS CHECK IS PRINTED ON CHEMICAL REACTIVE PAPER WHICH CONTAINS A WATERMARK - HOLD UP TO A LIGHT TO VIEW

LASALLE NATIONAL BANK
CHICAGO, ILLINOIS
0710
PAYABLE THROUGH LASALLE BANK OF LISLE
LISLE, ILLINOIS

Beaulieu Group, LLC

P.O. BOX 4539
DALTON, GEORGIA 30719-4539

70-2302
719

No. 338294

CHECK DATE
11 24 98

PAY EXACTLY

DOLLARS AND

CENTS

CHECK AMOUNT
****200,000.00****

TO THE ORDER OF *****TWO HUNDRED THOUSAND DOLLARS AND NO/100*****

FEDERAL ELECTION COMMISSION

BEAULIEU GROUP, LLC

Bay King

AUTHORIZED SIGNATURE MP

[Signature]

AUTHORIZED SIGNATURE MP